

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1819 – SB 2243

February 5, 2018

SUMMARY OF BILL: Redefines “financial institution” under the *Financial Institutions Conversion Act* to include trust companies. Removes the requirement that a financial institution be organized under the laws of this state and maintain its principal place of business in Tennessee. Requires a financial institution that results from a conversion to have its principal place of business in Tennessee.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

Exceeds \$1,000/Department of Financial Institutions

Increase State Expenditures –

Exceeds \$1,000/Department of Financial Institutions

Assumptions:

- Under current law, a financial institution must be a Tennessee state-chartered financial institution or a federally-chartered financial institution, having its principal place of business in Tennessee, in order to apply to the Commissioner the Department of Financial Institutions (DFI) to convert its charter to do business as another type of financial institution.
- According to the DFI, under current law, any out-of-state, state-chartered or federally-chartered financial institution desiring to move its headquarters and operations to Tennessee and become a Tennessee-chartered financial institution could only do so through multi-step processes, such as filing an application to become a new financial institution and merging an existing financial institution into the newly-organized financial institution or using a process such as the interim bank process and merging into the interim bank.
- This legislation will authorize out-of-state, state-chartered or federally-chartered financial institutions to convert its charter to a Tennessee state-chartered financial institution and do business as another type of financial institution. The resulting financial institution must have its principal place of business in Tennessee.
- It is reasonably assumed that this legislation will result in at least one out-of-state bank every three years converting its charter to a state bank, state savings bank or state trust company.

- Pursuant to the DFI rule 0180-7-.08(1)(h), an application to convert to a state bank, state savings bank or state trust company must be accompanied by a \$3,000 fee.
- Annualized, the recurring increase in state revenue to DFI is estimated to exceed \$1,000 [(1 minimum institution x \$3,000) / 3 years].
- Fee revenue collected by the DFI is retained by the Department to offset the administration and regulation of the financial service industry.
- The recurring increase in state expenditures to DFI for administration and regulation is estimated to exceed \$1,000.
- Due to multiple unknown factors, any additional impact on the DFI as a result of this legislation cannot be reasonably estimated. Such factors include, but are not limited to: the number of out-of-state banks that will be converted to Tennessee state-chartered banks as a result of this legislation, the type of financial institutions such conversions will produce, and the amount of assets held by any such bank.

IMPACT TO COMMERCE:

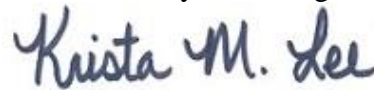
Other Impact to Commerce – An exact impact cannot reasonably be determined, but it assumed to be positive.

Assumptions:

- It is assumed that an out-of-state bank would only choose to convert to a Tennessee state-chartered bank if the financial incentives outweighed all inherent risks; therefore, any such conversion is reasonably assumed to be positive for commerce in the state.
- Due to multiple unknown factors, any exact impact to commerce or jobs in this state cannot be reasonably estimated. Such factors include, but are not limited to: the number of out-of-state banks that will be converted to Tennessee state-chartered banks, the type of financial institutions such conversions will produce, and the amount of assets held by any such bank.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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